

Industrial Power Services Corp.

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August 17, 2005

Mr. Howard Bernstein
RPS Program Manager
Division of Energy Resources
100 Cambridge Street, Suite 1020
Boston, Massachusetts 02114

RE: Notice of Inquiry, July 1, 2005

Dear Mr. Bernstein,

Industrial Power Services Corp. does not support the regulations proposed in the Notice of Inquiry dated July 1, 2005.

Industrial Power Services Corp. (IPS) owns and operates a 2.8 MW landfill gas to energy facility in Granby, MA. This facility has the distinction of being the first renewable energy facility in Massachusetts to achieve New Renewable Generation Unit status. IPS is currently developing a number of renewable energy projects throughout Massachusetts that will be jeopardized should these proposed regulations take effect.

The proposed changes are incompatible with the DOER's Policy Objectives¹. In this document DOER stated that the RPS is "expected to stimulate development of **new** (*emphasis added*) electric generating units that use renewable fuels and technologies, and thereby accomplish the following policy objectives:

- "Decrease pollution from existing power plants;
- "Diversify the fuels used to generate power in or near our region;
- "Decrease our reliance on fuels imported from other regions; and
- "Moderate price volatility caused by reliance on imported fuels."

Enactment of this proposal meets only one of the DOER's four policy objectives, decreasing pollution from existing power plants. The proposal does not further diversify the fuels used to generate power, decrease our reliance on fuels imported, or moderate price volatility. By emphasizing biomass fuel facilities, the proposal will have a potentially devastating effect on the quantity and diversity of renewable energy facilities developed; wind and photovoltaic projects, the only two fuels that are zero emissions, will be particularly impacted. It is only by increasing the overall total of renewable energy facilities above the baseline that Massachusetts stakeholders derive the benefits intended by the RPS.

In addition, the proposed regulations:

- ◆ Are inconsistent with DOER's need to ensure improvements in the Commonwealth's environment and economy;
- ◆ Will create market uncertainty for developers, investors, and lenders; and
- ◆ Fail to stimulate development of **new** renewable generation units; rather, they weaken the qualification process for biomass projects, rushing older, currently operating biomass plants

¹ "Background Document on the Proposed Regulation of the the Renewable Energy Portfolio Standard," October 3, 2001.

throughout New England, New York, and Canada to New Renewable Generation Unit status without sufficient agency or peer review.

The majority of older biomass plants that are poised to take advantage of this proposed regulation are located outside of Massachusetts. According to data prepared and submitted by Ridgewood Renewable Power as part of its comments², the potential supply of renewable energy from “existing” New England biomass plants totals 396.4 MW; the potential supply of renewable energy from non-New England biomass plants totals 242.4 MW. Only one biomass facility is located in Massachusetts, Pinetree Power at 17 MW. The balance of biomass plants listed is located throughout New England, New York, New Brunswick, and Quebec.

Regulations that benefit and favor older, operating, existing, biomass fuel facilities out of state will not benefit the Massachusetts economy. Rather, the regulations will act as a deterrent to the Massachusetts renewables industry, defeating the purpose of the RPS. Should the biomass plants identified in Ridgewood Power’s comments gain New Renewable Generation Unit status, the resulting series of events will be detrimental to Massachusetts developers individually and the Massachusetts economy as a whole. These plants represent 639 MW of generation and an equal number of RECs created from that generation. Should they achieve renewable status contemporaneously, RECs will flood the market and REC prices will be destroyed. RECs offer financial incentive to developers of renewable energy, and developers depend on a stable or escalating revenue stream in order to develop and operate renewable energy facilities. RECs have a current market price of \$50 each, and have recently been auctioned at \$51.35³ each. If the financial incentive is removed there will be no further development of renewable energy facilities in Massachusetts, of any kind. Without an expanding renewables industry, there will be no new jobs creation; layoffs in the emerging photovoltaic and wind industries may result. Currently operating renewable energy facilities will become less profitable, which may result in employee lay-offs, eliminating expansion plans, or ceasing operations altogether.

The Renewable Portfolio Standard (RPS) is still in its infancy. Adopted in 2002, it has been slowly gaining ground and we have yet to see the financial benefit of RECs. It is critical that the value of RECs remains strong, so that investors and financial markets develop confidence that the emerging REC markets are indeed a realistic and stable environment for investment. Stable regulations are critical to developing a strong REC market that truly encourages the financing of new, clean, renewable energy projects. Changes to the RPS and the RECs market this early in the life of the regulations will undermine confidence in the long term value of RECs, making it significantly more difficult for projects to secure financing from lenders and investors, and long term power contracts from electricity distributors. A reliable and robust RPS program demands predictability, just as developers, investors, and lenders require market stability in order to make financial decisions.

Thank you for the opportunity to comment on this issue. We look forward to participating in future proceedings.

Sincerely,

James M. Malandrinos, President

² Comments of Ridgewood Renewable Power, Ridgewood, NJ, August 4, 2005: “Potential Supply of Renewable Energy from ‘Existing’ New England Biomass Plants,” and “Potential Supply of Renewable Energy from Non-New England Biomass Plants.”

³ Massachusetts Technology Collaborative report dated April 20, 2005, summarizing REC auction conducted on its behalf by Evolution Markets, LLC, for Q4 2004 RECs.

